

threaten to deprive us of perspective and resolve when we need it most.

America came into its own as a major player on the world stage at the beginning of the 20th century, in part because of the leadership of a great American President, Theodore Roosevelt. As we consider our role in our new century, I think it is important to reflect on some words from Theodore Roosevelt. He said:

It is not the critic who counts: not the man who points out how the strong man stumbles or where the doer of deeds could have done better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood, who strives valiantly, who errs and comes up short again and again, because there is no effort without error or shortcoming, but who knows the great enthusiasms, the great devotions, who spends himself for a worthy cause. . . .

Let me reiterate the worthiness of the cause we have undertaken. We live in a world where we are more connected than we ever imagined we could be. The benefits of globalization to consumers and impoverished millions are clear. But so are the risks. September 11 showed us how vulnerable we are and reduced our acceptable tolerance level for brutal leaders who wish to harm our people.

Saddam Hussein's danger to his neighbors, the Middle East region, and the world has been an unquestioned assumption of American foreign policy for more than a decade. He flaunted the authority of the world community and the United Nations, ignoring 17 solemn resolutions directed against his regime. He failed to account for 30,000 liters of biological toxins, 3.9 tons of nerve agents, and tens of thousands of munitions capable of delivering them against targets. He aggressively pursued nuclear weapons. The Israelis wiped out an Iraqi nuclear function in 1981.

In 1991 and after the gulf war, we found solid evidence of him attempting to pursue nuclear weapons. He harbored and supported terrorists. He destroyed the lives of hundreds of thousands of his own people. He ruthlessly cannibalized the assets and resources of the Iraqi people to support his tyranny and lavish lifestyle.

Some people shy away from the term "evil," but I would ask them: Is there any form of evil that is not part of the confirmed record of Saddam Hussein?

To rid the world of a person such as this and a regime such as this—an evil regime, an evil person—is ultimately just and wise and the right thing to do.

Do the critics dispute this? Not directly. They criticize the means to that end. They support our troops but not the military leaders or their stated mission. They support protecting American interests but not in this particular way on this timetable or at this cost. They want results, but they want them more quickly and at lesser or no cost. But at some point, endlessly criticizing the means calls the ends into question.

The flow of the argument has been interesting. Before the war began, this

was an impossible, protracted war against devoted Iraqi forces. When there was early success, the argument shifted to criticize that the war would take months rather than days, and now with the hard work of rebuilding the country—not from American war damage but from decades of Saddam's economic devastation—the focus is on what was said and understood and communicated before the war began. It reflects an attention span and a degree of patience measured out in new cycles.

Part of Saddam's evil is deception and the desire to humiliate us. To give him credibility—"maybe he didn't have weapons of mass destruction"—and then question our own leaders is ludicrous. Can we actually question the justification of this war because we have not yet found weapons of mass destruction in a matter of months that a master of deception had years to hide in an area the size of California?

My question to the critics is simple: What is your alternative? We live in the real world, not a Hollywood stage. There are evil people who want nothing more than to destroy us, and they understand only the language of force. They will not rest while we sit around saying: If only . . . if only . . . if only . . . if only.

Last night I had a wonderful conversation with Mayor Kevin Finnegan of West St. Paul, MN. He has a son and a daughter-in-law serving in Iraq. His message to me was simple: We need, Senator, to stay the course, to keep our eye on the ball. We have rid the world of Saddam's leadership. Let's work for democracy and stability in Iraq.

The more we talk about weapons of mass destruction, the harder it is to achieve our ultimate underlying objective: the liberation of Iraq.

In the real world, there are choices to be made, challenges to be dealt with, and burdens to be carried. This is not a game with a reset button. America must stay the course. To pull out now would be a victory for terrorists of unimagined proportions. We must stay the course to show our resolve. And yet every loss of life for an American service person is a tragedy, but we should not fail to recognize those lives are not being lost in vain.

From the devastation and corruption of Saddam's reign, freedom and order are being restored. When we understand the depths to which he took that society, we recognize the time it will take to bring it back. Murderers, thugs, and terrorists owned the streets of a whole nation. Slowly but surely, we are prying them loose from their bloody hands.

There is a city council now in Baghdad, and yet as a former mayor, I ask the question: Haven't they suffered enough? But there is democracy coming back to Iraq. Winning the peace will take longer than winning the war, but victory will be ours. The great victors will not only be the Iraqi people but children of the whole world who

will grow up in a more peaceful century because we saw our duty and stuck to it until we finished the job.

Prime Minister Blair gave us a rare and beautiful insight on our role at this time. It was an honor for me to be in that Chamber. It is a moment as a freshman Senator that I will never forget. It is important to reflect. He said:

And I know it's hard on America, and in some corner in this vast country, out in Nevada or Idaho—

He could have inserted Minnesota or New Hampshire—

or these places I've never been to, but always wanted to go. I know out there there's a guy getting on with his life, perfectly happily, minding his own business, saying to you, the political leaders of this country: Why me? And why us? And why America? And the only answer is: Because destiny put you in this place in history, in this moment in time and the task is yours to do.

Let's pull together, recognize the realities we face, commit for the long and difficult haul ahead, and move forward. Nothing worthwhile is easy, but it never has been for America.

I applaud our young men and women who are on the front lines, who are doing the hard work for all of us, but we will all benefit from their efforts.

I thank the Chair, and I yield the floor.

Mr. BAUCUS. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

CHILD TAX CREDIT

Mr. BAUCUS. Mr. President, it has been 48 days since the Senate passed the Lincoln-Snowe bill to provide child tax credit to the families of 12 million children. Twelve million, Mr. President, is not a small number of children in America. The House then passed a different child tax credit bill.

Thirty-five days ago, the Senate appointed conferees to work out the differences between the two bills—35 days—and the conference has yet to hold its first meeting.

On July 25, just 2 business days from today, many families will begin receiving checks for the increased child tax credit, but millions of families will find their mailboxes empty. Why? Millions who hoped for such a credit will not receive it. Why? Because the conference has not met and the House has not agreed to the Senate provision. The Lincoln-Snowe bill, however, would ensure that these families are not left behind. In 2 working days, the House plans to adjourn for the remainder of the summer, not addressing this important question. We must, rather, send a bill to the President before that time

so that millions of children can receive the benefit.

Just a few years ago, in 2001, the President brought a tax reduction proposal to Congress. The proposal was based upon the premise that taxpayers across the board were paying too much of their income in taxes. The President included the working poor, citing extremely high marginal rates. At the time, the working poor faced marginal rates above 50 percent, among the highest marginal rates faced by any taxpayer.

What does that really mean? That means that for the working poor, with their marginal rates above 50 percent, for every extra dollar that a person in that category earned, more than half of that would be taxed, and less than half would then be kept by the taxpayer. That is the effect of the high marginal rate of the working poor.

The President's economic advisers called this an "egregious problem" in our Tax Code. On the campaign trail, candidate George Bush pledged that, "lowering these barriers to the middle class" was one of his top priorities.

I worked with the President in 2001 to reduce the marginal rates for working Americans. I think he was right. The bill we enacted included marginal rate cuts for taxpayers across the board. It also included two provisions specifically targeted at reducing the marginal rate for low-income workers. First, it reduced the lowest marginal rate; that is, the tax paid on the first dollar of taxable income from 15 percent to 10 percent. Second, it made the child tax credit partially refundable for working families. Currently, the child credit is refundable up to 10 percent for a family's income above \$10,500. In 2005, this amount is set to increase to 15 percent, up from 10 percent.

The marginal rates for working taxpayers are less than they were before the 2001 bill was passed, and they will be less in 2005. I believe, frankly, we should do more.

Under current law, taxpayers in the lower income brackets face marginal rates as high as 46 percent, as represented by this chart. That is, under current law taxpayers in the lower income brackets face marginal rates as high as 46 percent. This chart shows that for a married couple with two children, with an income of \$27,000, the marginal rate is 46 percent. Compare that with the marginal rate of higher income Americans. For a family with two children, a family of four, with \$100,000 of income, the marginal rate is only 28 percent. That is, the Government takes 28 cents of the next dollar earned by a family in the \$100,000 income bracket.

Correspondingly, it rises as the income rises but not much, and still not nearly as high as a working family with \$27,000 total income. Their marginal rate is 46 percent. It is much higher than the marginal rate is for higher income Americans.

So let's take an example. A family of four making \$27,000, that is about 150

percent of poverty. What happens to that family? If they earn an additional dollar of income, they lose 21 cents of the earned-income tax credit they receive. They lose it because of the phaseout of the earned-income tax credit. They pay payroll taxes of 15 cents if we include both shares of the payroll taxes, as most economists do. And they pay 10 cents in Federal income tax. This adds up to a marginal rate of 46 percent for a family of four earning \$27,000. This is how it is broken down: Income tax, 10 percent; payroll tax, 15 percent; and because of the way the Tax Code works, and the earned-income tax credit phases out, that amounts to a 21-percent marginal rate that taxpayer has to pay. So for every additional dollar this family makes, they keep only 54 cents. Forty-six cents on every additional dollar made goes to the Federal Government. We are not even talking about State taxes. We are just talking about Federal taxes. So State taxes could be a lot more.

How does this compare with other taxpayers? This family making \$27,000 faces a higher marginal rate today than a similar family making \$100,000, \$150,000, or \$200,000 as shown by the same chart shown earlier. It is very clear that lower income persons pay higher marginal tax rates. In fact, this family has a marginal rate that is higher than the wealthiest taxpayers in America, if my colleagues can believe that.

If we are supposed to be encouraging people to work, logically lower income Americans would have a lower marginal rate because we want to encourage people, particularly in that category, to earn an extra dollar. But our Tax Code is so perverse it causes the reverse result. It is far higher than the corporate rate of 35 percent.

Just think of that. I do not think many people know that. That is, lower income working families, families with a \$27,000 income, pay a higher marginal rate than corporations do. I do not think most Americans know that, and if most Americans did, they would think that is not right. Hence, many of us are today urging the Congress, urging the other side of the aisle in particular, to work with the House and pass a child tax credit in the remaining 2 days before the House adjourns for the summer recess.

Senators LINCOLN and SNOWE deserve a lot of credit. They have led the effort to reduce the marginal rates for working families. They began in 2001 when they fought to ensure that low-income working families would be able to receive a refundable child credit, and they are now fighting to ensure that these families receive the full child tax credit today.

I will explain how the refundable child credit reduces the marginal rate for working families. Let's take a family of four making \$22,000. Without the refundable child credit, their marginal rate would be 36 percent. The current

credit, which is 10 percent refundable, brings their marginal rate down to 26 percent. In 2005, the refundability of the child credit will increase to 15 percent. This family's marginal rate will then go down to 21 percent, from 26 percent.

We have all heard the argument for immediate tax relief: If tax relief is good enough in a few years, it is good enough today. We have heard it constantly. It is a constant refrain in this body. This was the theory behind President Bush's jobs and growth package, which accelerated marginal rate reductions for millions of taxpayers, including those making \$100,000, \$200,000, or even \$1 million. For a family making \$100,000, the marginal income and payroll tax rate was reduced in that package from 30 percent to 28 percent. For the family making \$200,000, the rate was reduced again from 38 percent to 36 percent, and for millionaires the rate was reduced from almost 42 percent to 38 percent.

The provision that would have reduced the marginal rate for low-income working families, that is the increase in child tax credit refundability, was specifically excluded from the final bill. If marginal rate reductions are good enough for the wealthy today, are they not good enough for the working poor? The answer from the Senate was a resounding yes. The Lincoln-Snowe bill to reduce marginal rates for the working poor immediately passed the Senate almost unanimously.

The marginal rates for the low-income working families are still too high. Passing the Lincoln-Snowe bill is an improvement. This improvement will provide additional incentives to work and earn the extra dollar, which is basically what tax reduction is all about, and it would shrink what the President has called barriers to the middle class.

We have 2 working days left, 2 days to convene this conference, work out our differences, send this bill to the President; 2 days to ensure that low-income working families receive the same tax relief that is promised to the rest of America's families, and 2 days remaining to ensure we fix this problem. Even President Bush agrees this is an egregious problem in the Tax Code. I strenuously urge us to put politics aside and do what is right and convene this conference committee. Let's get this passed in the next 2 days before the House adjourns for the summer.

I yield the floor, and I suggest the absence of a quorum and ask unanimous consent that the time be equally divided on both sides.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HARKIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. CHAFEE). Without objection, it is so ordered.

Mr. HARKIN. Mr. President, parliamentary inquiry: What is the status of the floor situation?

The PRESIDING OFFICER. The Senate is in a period of morning business. The minority controls 13½ minutes and the majority controls 1 minute.

Mr. BAUCUS. How much time would the Senator like?

Mr. HARKIN. Ten minutes.

Mr. MCCONNELL. Parliamentary inquiry: Is there an agreement under which the Senator from Kentucky should be recognized at 10 a.m.?

The PRESIDING OFFICER. There is no order at this time.

Mr. MCCONNELL. How long will the Senator from Iowa speak?

Mr. HARKIN. Ten minutes.

Mr. MCCONNELL. I ask unanimous consent I be allowed to follow the Senator from Iowa.

Mr. BAUCUS. Reserving the right to object, would the Chair inform the Senate of the present parliamentary situation?

The PRESIDING OFFICER. The Senate is in a period of morning business. The majority controls 13½ minutes—12½ minutes now, and the minority controls 1 minute.

Mr. BAUCUS. I ask if the Senator could perhaps yield until after we complete morning business. It is possible others may want to speak on the subject set aside for this morning during morning business.

Mr. MCCONNELL. I simply ask unanimous consent I be allowed to speak for 10 minutes as in morning business immediately following the Senator from Iowa.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE DEFICIT

Mr. HARKIN. Mr. President, I have come to the Senate floor on a number of occasions concerning the exploding deficits being built up by this administration, as well as the very poor performance of the national economy since this administration took office. The recent Office of Management and Budget, OMB, projections are especially noteworthy.

We now see the White House foresees a 5-year debt increase of \$1.9 trillion, a record \$455 billion deficit this year, a \$475 billion deficit next year. Each of those numbers signifies a terrible record of performance and record-setting deficits. With each report the deficits get deeper and deeper. Next year's \$475 billion deficit represents over \$1,600 for every man, woman, and child in America. That is the equivalent of adding to each citizen's credit card \$1,600 upon which we will be required to pay interest year after year after year ad infinitum.

In the past 3 years, we have seen the worst record of job creation since the Presidency of Herbert Hoover, with over 3 million jobs lost. This is the only administration in 70 years with a decline in private sector jobs. Long-

term unemployment has tripled. We are in the slowest economic growth in over 50 years. And one other item: A huge drop in the value of pensions. A \$100,000 pension invested in Standard & Poors stocks at the beginning of this administration is now worth \$26,000 less.

We do not hear a lot of talk from the administration, at least openly, about privatizing Social Security any longer. Just think, if you are just getting ready to retire, and this administration's privatization policies for Social Security had been in effect, and you had \$100,000 in your pension funds in something that everyone believed would be very safe, it would now be worth \$74,000. You would have lost \$26,000 in 3 years. That is why I have said this administration is committing economic malpractice. It is economic malpractice at its worst. We keep hearing about medical malpractice, but this is economic malpractice because for the long term we face millions of retiring baby boomers and large increases in Social Security and Medicare. We have a great need to invest in the education of our children and to protect our children with homeland security. But this administration has one answer to all our problems: More tax cuts for the wealthy.

I think it is worth looking at history. Faced with high unemployment, President Franklin Roosevelt said to Congress on May 24, 1937:

We know that overwork and underpay do not increase the national income when a large portion of our workers remain unemployed. Reasonable and flexible use of the long-established right of Government to set and change working hours can, I hope, decrease unemployment in those groups in which unemployment today principally exists.

Those are the words of President Franklin Roosevelt in 1937.

So what did Congress do? Congress passed time-and-a-half pay for overtime to increase jobs. Yet, faced with rising unemployment, this President wants to take away time-and-a-half from millions of Americans who receive a higher income because of it. This President, through the promulgation of new rules and regulations, wants to remove the incentive that overtime pay provides to employers to hire more workers. This is an anti-job-growth policy. In fact, this President threatened to veto a House appropriations bill if that bill said no to cutting time-and-a-half for overtime—again, economic malpractice.

The President's OMB Director says the projected budgets are "manageable." But when we look at the operating budget for next year, using OMB's own numbers, we face a deficit equal to 5.7 percent of our GDP, our gross domestic product, the second largest since 1946.

These are the budget deficits expected just for the next few years. In 2000, as we can see, we had budget surpluses. During the 1990s, we paid off our debts, we had wise tax-and-spend poli-

cies, and we built up a surplus. That surplus was intended to be used to pay off our debt to provide for security for those who are going to be retiring very soon.

Now, because of the economic malpractice of this administration, the forecast is for even bigger deficits than what we have had in the past, going on into the future with no end in sight. So the President's policies eat up all the reserves we were going to use for Social Security and they have turned them into debt.

Under this President's program, these explosive deficits just keep going on and on and they keep getting worse. We tried this supply-side economic tax policy in 1981, and both the deficits and unemployment skyrocketed, resulting in our prior deficit record.

In 1993, we tried to reverse supply-side policies. I just might note for the record, every Republican in the Senate and every Republican in the House voted no. They all predicted economic disaster. Instead, we got out of the hole and we got into record surpluses. Unemployment dropped year after year, wealth increased all over America, average people saw their incomes rise.

So when this President came into office in 2001, what did he do? He pushed a huge tax cut primarily aimed at the wealthy. Deficits skyrocketed, jobs were lost, and the unemployed stayed that way for longer and longer. In 2003, it is a repeat of what they did in 2001—economic malpractice.

On February 12, Mr. Greenspan said:

There's no question that as deficits go up, contrary to what some have said, it does affect long-term interest rates. It does have a negative impact on the economy unless attended.

We are not attending to it. In fact, what is happening with this administration is that it is getting worse, the deficits are getting bigger. On July 16, Mr. Greenspan said:

There is no question that if you run substantial and excessive deficits over time, you are draining savings from the private sector, and other things being equal, you do clearly undercut the growth rate of the economy.

That is what is happening.

Some on the right say they have a way to reduce the deficit that will grow larger and larger. They say reform Social Security and Medicare. What they mean is, by privatizing it, cut Social Security, cut Medicare, cut them deeply. They see too much being spent on our children's education. They think that ought to be cut, too.

I have an alternative view. I think the economic malpractice of this administration and supply-side economics must end and we have to return to economic sanity in this country. Look at those who are unemployed for 3 months, 6 months, a year—hurt economically, families hurt, marriages destroyed, futures lost. Look at our African-American community and the Hispanic community, which are suffering huge unemployment levels. Look at teenagers who cannot find jobs and